

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 18, 2004**

### **Economic and Revenue Forecasts**

### **Fiscal Years 2004 and 2005**



#### **Principals**

**Gary Olson, Director**  
**Senate Fiscal Agency**

**Mitch Bean, Director**  
**House Fiscal Agency**

**Jay Rising, State Treasurer**  
**Michigan Department of Treasury**

#### **Staff**

**Jay Wortley**  
**Senate Fiscal Agency**

**Rebecca Ross**  
**House Fiscal Agency**

**Jeff Guilfoyle**  
**Michigan Department of Treasury**

**Table 1**  
**Consensus Economic Forecast**  
May 2004

	Calendar 2002 Actual	Calendar 2003 Actual	Percent Change from Prior Year	Calendar 2004 Forecast	Percent Change from Prior Year	Calendar 2005 Forecast	Percent Change from Prior Year
<b>United States</b>							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$10,083	\$10,398	3.1%	\$10,876	4.6%	\$11,278	3.7%
Implicit Price Deflator GDP (2000 = 100)	103.9	105.6	1.6%	107.7	2.0%	110.6	2.7%
Consumer Price Index (1982-84 = 100)	179.9	184.0	2.4%	188.4	2.4%	193.7	2.8%
Personal Consumption Deflator (2000 = 100)	103.4	105.3	1.8%	107.5	2.1%	110.1	2.4%
3-month Treasury Bills Interest Rate (percent)	1.6	1.0		1.2		2.5	
Aaa Corporate Bonds Interest Rate (percent)	6.5	5.7		5.7		6.0	
Unemployment Rate - Civilian (percent)	5.8	6.0		5.5		5.3	
Light Vehicle Sales (millions of units)	16.8	16.6	-0.8%	16.7	0.3%	16.9	1.0%
Passenger Car Sales (millions of units)	8.1	7.6	-5.9%	7.5	-1.6%	7.6	1.3%
Light Truck Sales (millions of units)	8.7	9.0	3.9%	9.2	1.9%	9.3	0.8%
Import Share of Light Vehicles (percent)	19.6	19.9		19.8		19.9	
<b>Michigan</b>							
Wage and Salary Employment (thousands)	4,478	4,412	-1.2%	4,385	-0.6%	4,451	1.5%
Unemployment Rate (percent)	6.2	7.3		6.8		6.5	
Personal Income (millions of dollars)	\$299,449	\$306,820	2.5%	\$316,945	3.3%	\$335,328	5.8%
Real Personal Income (millions of 1982-84 dollars)	\$167,384	\$168,121	0.4%	\$169,762	1.0%	\$174,923	3.0%
Wages and Salaries (millions of dollars)	\$173,421	\$175,759	1.3%	\$178,922	1.8%	\$187,332	4.7%
Detroit Consumer Price Index (1982-84 = 100)	178.9	182.5	2.3%	186.7	2.3%	191.7	2.7%
Detroit CPI Fiscal Year (1982-84 = 100)	177.5	182.1	2.6%	185.2	1.7%	190.4	2.8%

Table 2  
**May 2004 Consensus Agreement**  
(millions)

Net Revenue Estimates							
	FY 2003	FY 2004			FY 2005		
	Final	Jan 2004 Consensus	May 2004 Consensus	Change From Jan	Jan 2004 Consensus	May 2004 Consensus	Change From Jan
<b>Net GF-GP Revenue</b>	\$7,958.9	\$7,857.5	\$7,866.4	\$8.9	\$7,822.8	\$7,856.3	\$33.6
Growth	-5.55%		-1.16%			-0.13%	
<b>Net SAF Revenue</b>	\$10,714.8	\$10,584.3	\$10,535.2	(\$49.1)	\$10,998.5	\$10,960.4	(\$38.2)
Growth	5.73%		-1.68%			4.04%	

  

Revenue Limit Calculation			
	FY 2003	FY 2004	FY 2005
Personal Income	\$297,609	\$303,745	\$306,820
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,117.2
Revenue Subject to Limit	\$24,061.6	\$23,962.1	\$24,383.4
<b><u>Amount Under (Over) Limit</u></b>	<b>\$4,181.5</b>	<b>\$4,863.3</b>	<b>\$4,733.9</b>

Note: CY 2001 Personal Income is used for the FY 2003 revenue limit calculation, CY 2002 for FY 2004, and CY 2003 for FY 2005.

  

Budget Stabilization Fund Calculation		School Aid Fund Index	
FY 2005 BSF Calculation	<b>NO PAY-IN INDICATED</b>	Revenue Adjustment Factor	<b><u>1.0296</u></b>
		Membership Adjustment Factor	<b><u>0.9986</u></b>
		Foundation Allowance Index	<b><u>1.0282</u></b>